



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WOLFE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Darrell Bumgardner, County Judge/Executive
Honorable Danny Brewer, Former County Judge/Executive
Members of the Wolfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Wolfe County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Wolfe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Wolfe County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Wolfe County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Darrell Bumgardner, County Judge/Executive

Honorable Danny Brewer, Former County Judge/Executive

Members of the Wolfe County Fiscal Court

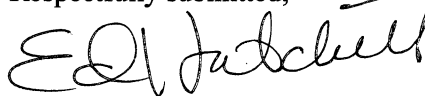
Our audit was performed for the purpose of forming an opinion on the financial statements of Wolfe County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a Schedule of Findings and Questioned Costs, included herein, which discusses the following area of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,076,357 As Collateral And Entered Into A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 1999 on our consideration of Wolfe County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
July 9, 1999

WOLFE COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

| | |
|----------------|----------------------------------|
| Danny Brewer | County Judge/Executive |
| Billy Oliver | County Attorney |
| Kenneth Lindon | County Clerk |
| Susan Brown | Circuit Court Clerk |
| Henry Dunn | Sheriff |
| Frank Hatton | Jailer |
| Joseph Dunn | Property Valuation Administrator |
| Reva Terrill | County Treasurer |
| Frank Porter | Coroner |
| Corbett Gibbs | Magistrate |
| James W. Banks | Magistrate |
| Robert R. Dean | Magistrate |

**STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS**

WOLFE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

| | | |
|------|----|--------|
| Cash | \$ | 45,846 |
|------|----|--------|

Road and Bridge Fund:

| | | |
|------|--|--------|
| Cash | | 58,152 |
|------|--|--------|

Jail Fund:

| | | |
|------|--|-------|
| Cash | | 4,394 |
|------|--|-------|

Local Government Economic Assistance Fund:

| | | |
|------|--|-------|
| Cash | | 2,215 |
|------|--|-------|

Garbage Transfer Station Fund:

| | | |
|------|--|-------|
| Cash | | 3,843 |
|------|--|-------|

Fire Protection Fund:

| | | |
|------|--|-------|
| Cash | | 5,112 |
|------|--|-------|

Area Development Fund:

| | | |
|------|--|-------|
| Cash | | 5,502 |
|------|--|-------|

Special Projects Fund:

| | | |
|------|--|---------|
| Cash | | 658,956 |
|------|--|---------|

| | | |
|-----------------|--|---------|
| Note Receivable | | 499,176 |
|-----------------|--|---------|

Community Development Block Grant Fund:

| | | |
|------|--|--------|
| Cash | | 51,806 |
|------|--|--------|

Sewer Line Project Fund

| | | |
|------|--|---|
| Cash | | 1 |
|------|--|---|

Payroll Account - Cash

| | | |
|--|--|-------|
| | | 1,320 |
|--|--|-------|

Other Resources

General Fund:

Amounts to be Provided in Future Years for

Lease Purchase Principal Payments

| | | |
|--|--|--------|
| | | 89,500 |
|--|--|--------|

Total Assets and Other Resources

| | | |
|--|----|-----------|
| | \$ | 1,425,823 |
|--|----|-----------|

The accompanying notes are an integral part of the financial statements.

WOLFE COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 1998
(Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Capital Lease Obligation (Note 5) \$ 89,500

Special Projects Fund:

Deferred Revenue (Note 4) 499,176

Payroll Account 1,320

Fund Balances

Reserved:

Garbage Transfer Station Fund 3,843

Fire Protection Fund 5,112

Area Development Fund 5,502

Special Projects Fund 658,956

Community Development Block Grant Fund 51,806

Sewer Line Project Fund 1

Unreserved:

General Fund 45,846

Road and Bridge Fund 58,152

Jail Fund 4,394

Local Government Economic Assistance Fund 2,215

Total Liabilities and Fund Balances

\$ 1,336,323

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

WOLFE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

| <u>Cash Receipts</u> | <u>Totals (Memorandum Only)</u> | <u>General Fund</u> | <u>Road and Bridge Fund</u> | <u>Jail Fund</u> |
|---|---|-------------------------|-------------------------------------|-------------------|
| Schedule of Operating Revenue | \$ 2,098,860 | \$ 527,042 | \$ 819,320 | \$ 56,170 |
| Transfers In | 278,066 | 100,366 | | 135,700 |
| Kentucky Advance Revenue Program | 366,970 | 122,665 | 244,305 | |
| Total Cash Receipts | <u>\$ 2,743,896</u> | <u>\$ 750,073</u> | <u>\$ 1,063,625</u> | <u>\$ 191,870</u> |
| <u>Cash Disbursements</u> | | | | |
| Comparative Schedule of Final Budget and Budgeted Expenditures | \$ 1,736,497 | \$ 443,293 | \$ 679,187 | \$ 188,031 |
| Transfers Out | 278,066 | 177,700 | 100,366 | |
| Prior Period Adjustment | 45,737 | | | |
| Prior Year Borrowed Money Repaid | 200,000 | | | |
| Kentucky Advance Revenue Program Repaid | 366,970 | 122,665 | 244,305 | |
| Total Cash Disbursements | <u>\$ 2,627,270</u> | <u>\$ 743,658</u> | <u>\$ 1,023,858</u> | <u>\$ 188,031</u> |
| Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements | \$ 116,626 | \$ 6,415 | \$ 39,767 | \$ 3,839 |
| Cash Balance - July 1, 1997 | <u>719,201</u> | <u>39,431</u> | <u>18,385</u> | <u>555</u> |
| Cash Balance - June 30, 1998 | <u>\$ 835,827</u> | <u>\$ 45,846</u> | <u>\$ 58,152</u> | <u>\$ 4,394</u> |

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

WOLFE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

| Local Government Economic Assistance Fund | Garbage Transfer Station Fund | Fire Protection Fund | Area Development Fund | Special Projects Fund | Community Development Block Grant Fund | Sewer Line Project Fund |
|---|--|----------------------------|-----------------------------|-----------------------------|--|----------------------------|
| \$ 112,579 | \$ 35,092 42,000 | \$ 2,647 | \$ 10,506 | \$ 294,510 | \$ 240,994 | \$ |
| <u>\$ 112,579</u> | <u>\$ 77,092</u> | <u>\$ 2,647</u> | <u>\$ 10,506</u> | <u>\$ 294,510</u> | <u>\$ 240,994</u> | <u>\$ 0</u> |
| \$ 112,448 | \$ 76,903 | \$ 2,094 | \$ 26,222 | \$ | \$ 208,319 | \$ |
| | | | | | 45,737 200,000 | |
| <u>\$ 112,448</u> | <u>\$ 76,903</u> | <u>\$ 2,094</u> | <u>\$ 26,222</u> | <u>\$ 0</u> | <u>\$ 454,056</u> | <u>\$ 0</u> |
| \$ 131 2,084 | \$ 189 3,654 | \$ 553 4,559 | \$ (15,716) 21,218 | \$ 294,510 364,446 | \$ (213,062) 264,868 | \$ 0 1 |
| <u>\$ 2,215</u> | <u>\$ 3,843</u> | <u>\$ 5,112</u> | <u>\$ 5,502</u> | <u>\$ 658,956</u> | <u>\$ 51,806</u> | <u>\$ 1</u> |

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Wolfe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Wolfe County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the bank balances were uncollateralized by \$721,587 and as of November 11, 1997, the uncollateralized amount on deposit was \$1,076,357. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit on these dates. In addition, the county did not have a written agreement with the depository institution.

WOLFE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 1998
 (Continued)

Note 3. (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of November 11, 1997.

| | <u>Amount</u> |
|---|----------------------------|
| Collateralized with securities held by pledging depository institution in the county's name | \$ 25,000 |
| Uncollateralized and uninsured | <u>1,076,357</u> |
| Total | <u><u>\$ 1,101,357</u></u> |

Note 4. Receivable

The county loaned \$970,000 to Ascent Power Technology on August 10, 1994, for the purpose of purchasing equipment and for working capital. The loan was made in two parts \$670,000 to be used for the purchase of equipment payable over 10 years at 5.5% interest. The remaining \$300,000 was for working capital payable over 3 years at 5.5% interest. Ascent Power Technology is in substantial compliance with the terms of the agreement. As of June 30, 1998, the \$300,000 loan has been paid off and the principal balance due on the remaining loan was \$499,176.

Note 5. Lease-Purchase Agreements

The county entered into the following lease-purchase agreement on April 9, 1997, with the Kentucky Area Development Districts Financing Trust. Fifth Third Bank is Trustee and Paying Agent for these funds, which were used to construct a Senior Citizens Building. The original principal was \$97,000. The interest rate is 6.24 percent and termination date is May 20, 2007.

The principal outstanding as of June 30, 1998, is \$89,500. Principal payments due in fiscal year end June 30, 1999 are \$7,700.

Liability of the General Fund is:

| <u>Fiscal Year</u> | <u>Principal Payment</u> | <u>Balance Due At Fiscal Year End</u> |
|--------------------|------------------------------|---|
| 1998-1999 | \$ 7,700 | \$ 81,800 |
| 1999-2000 | 8,300 | 73,500 |
| 2000-2001 | 8,800 | 64,700 |
| 2001-2002 | 9,300 | 55,400 |
| 2002-2003 | 9,900 | 45,500 |
| 2003-2007 | <u>45,500</u> | <u>0</u> |
| Totals | <u><u>\$ 89,500</u></u> | <u><u>\$ 0</u></u> |

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1998
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 1998, Wolfe County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

WOLFE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

| <u>Budgeted Funds</u> | <u>Budgeted Operating Revenue</u> | <u>Actual Operating Revenue</u> | <u>Over (Under) Budget</u> |
|--|---|---|------------------------------------|
| General Fund | \$ 494,972 | \$ 527,042 | \$ 32,070 |
| Road and Bridge Fund | 768,983 | 819,320 | 50,337 |
| Jail Fund | 188,819 | 56,170 | (132,649) |
| Local Government Economic Assistance Fund | 112,516 | 112,579 | 63 |
| Garbage Transfer Station Fund | 57,065 | 35,092 | (21,973) |
| Fire Protection Fund | 2,500 | 2,647 | 147 |
| Area Development Fund | 25,000 | 10,506 | (14,494) |
| Special Projects Fund | 50,000 | 294,510 | 244,510 |
| Economic Development Assistance Fund | 140,000 | | (140,000) |
| Totals | <u>\$ 1,839,855</u> | <u>\$ 1,857,866</u> | <u>\$ 18,011</u> |
| <u>Reconciliation</u> | | | |
| Total Budgeted Operating Revenue Above | | | \$ 1,839,855 |
| Add: Budgeted Prior Year Surplus | | | <u>180,455</u> |
| Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures | | | <u>\$ 2,020,310</u> |

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SCHEDULE OF OPERATING REVENUE

WOLFE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|--|--------------------------------|-----------------|----------------------------|-----------|
| <hr/> | | | | |
| Revenue From Local Taxes <u>and Excess Fees</u> | | | | |
| Sheriff: | | | | |
| Taxes | \$ 72,077 | \$ 69,430 | \$ | \$ |
| County Clerk: | | | | |
| Deed Transfer Tax | 4,053 | 4,053 | | |
| Occupational Licenses | 144 | 144 | | |
| Delinquent Taxes | 1,841 | 1,841 | | |
| Excess Fees - 1997 | 22,810 | 22,810 | | |
| Telephone Tax - 911 | 36,779 | 36,779 | | |
| Distilled Spirits | 4,940 | 4,940 | | |
| Tangible Personal Property Taxes: | | | | |
| Other Counties | 3,292 | 3,292 | | |
| County Clerk | 18,875 | 18,875 | | |
| Occupational Employment Tax | 273,703 | 273,703 | | |
| In Lieu of Taxes: | | | | |
| U.S. Treasurer | 9,631 | 9,631 | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Totals | \$ 448,145 | \$ 445,498 | \$ 0 | \$ 0 |
| <hr/> | | | | |
| <u>Federal Receipts - State Treasurer</u> | | | | |
| Disaster and Emergency Assistance | | | | |
| Grants - Coordinator Salary | \$ 5,089 | \$ 5,089 | \$ | \$ |
| Community Development Block | | | | |
| Grants - Senior Citizens Center | 49,494 | | | |
| Disaster and Emergency Assistance | | | | |
| Grant - 1998 Snow Relief | 59,155 | | 59,155 | |
| Economic Development Assistance- | | | | |
| Industrial Park | 191,500 | | | |
| National Forestry Receipts | 12,681 | | 12,681 | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Totals | \$ 317,919 | \$ 5,089 | \$ 71,836 | \$ 0 |

WOLFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

| Local Government Economic Assistance Fund | Garbage Transfer Station Fund | Fire Protection Fund | Area Development Fund | Special Projects Fund |
|---|-------------------------------------|----------------------------|-----------------------------|--------------------------|
|---|-------------------------------------|----------------------------|-----------------------------|--------------------------|

| | | | | |
|----|----|----------|----|----|
| \$ | \$ | \$ 2,647 | \$ | \$ |
|----|----|----------|----|----|

| | | | | |
|-------------|-------------|-----------------|-------------|-------------|
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 2,647</u> | <u>\$ 0</u> | <u>\$ 0</u> |
|-------------|-------------|-----------------|-------------|-------------|

| | | | | |
|----|----|----|----|----|
| \$ | \$ | \$ | \$ | \$ |
|----|----|----|----|----|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
|-------------|-------------|-------------|-------------|-------------|

WOLFE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Community Development Block Grant Fund |
|---|---|
| Revenue From Local Taxes and Excess Fees | |
| Sheriff: | |
| Taxes | \$ |
| County Clerk: | |
| Deed Transfer Tax | |
| Occupational Licenses | |
| Delinquent Taxes | |
| Excess Fees - 1997 | |
| Telephone Tax - 911 | |
| Distilled Spirits | |
| Tangible Personal Property Taxes: | |
| Other Counties | |
| County Clerk | |
| Occupational Employment Tax | |
| In Lieu of Taxes: | |
| U.S. Treasurer | |
| Totals | \$ 0 |
| <u>Federal Receipts - State Treasurer</u> | |
| Disaster and Emergency Assistance | |
| Grants - Coordinator Salary | \$ |
| Community Development Block | |
| Grants - Senior Citizens Center | 49,494 |
| Disaster and Emergency Assistance | |
| Grant - 1998 Snow Relief | |
| Economic Development Assistance- | |
| Industrial Park | 191,500 |
| National Forestry Receipts | |
| Totals | \$ 240,994 |

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WOLFE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|------------------------------------|--------------------------------|-----------------|----------------------------|-----------|
| <u>Kentucky State Treasurer</u> | | | | |
| Jail: | | | | |
| Allotments | \$ 32,037 | \$ | \$ | \$ 32,037 |
| Medical Allotments | 2,797 | | | 2,797 |
| Driving Under The Influence Fees | 2,462 | | | 2,462 |
| Court Costs, Jail Operation | 16,490 | | | 16,490 |
| County Road Aid | 578,779 | | 578,779 | |
| Truck License Distribution | 151,651 | | 151,651 | |
| Strip Mine Permits | 2,000 | 2,000 | | |
| Courthouse Rental - Administrative | 10,595 | 10,595 | | |
| Office of the Courts | | | | |
| Refunds: | | | | |
| Legal Process Tax | 268 | 268 | | |
| Drivers Licenses | 641 | | 641 | |
| Dog Licenses | 5 | 5 | | |
| Severance Taxes: | | | | |
| Coal | 95,151 | | | |
| Mineral | 17,065 | | | |
| Grants: | | | | |
| State Grants- Area Development | | | | |
| Fund | 29,415 | 19,415 | | |
| Totals | \$ 939,356 | \$ 32,283 | \$ 731,071 | \$ 53,786 |
| <u>Miscellaneous Revenue</u> | | | | |
| Interest | \$ 41,272 | \$ 5,607 | \$ 16,354 | \$ 114 |
| CDBG Loan Repayments | 276,182 | | | |
| Circuit Court Clerk: | | | | |
| Jail Cost | 36,344 | 36,344 | | |
| Charges for Services: | | | | |
| Garbage Collection | 34,492 | | | |
| Ambulance Service | | | | |
| Jail Bond Fees | 205 | | | 205 |
| Advertising Costs - Sheriff | | | | |
| Miscellaneous Items | 911 | 911 | | |
| | 4,034 | 1,310 | 59 | 2,065 |
| Totals | \$ 393,440 | \$ 44,172 | \$ 16,413 | \$ 2,384 |
| Total Operating Revenue | \$ 2,098,860 | \$ 527,042 | \$ 819,320 | \$ 56,170 |

WOLFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

| Local Government Economic Assistance Fund | Garbage Transfer Station Fund | Fire Protection Fund | Area Development Fund | Special Projects Fund |
|---|-------------------------------------|----------------------------|-----------------------------|--------------------------|
| \$ | \$ | \$ | \$ | \$ |
| 95,151 | | | | |
| 17,065 | | | | |
| | | | 10,000 | |
| \$ 112,216 | \$ 0 | \$ 0 | \$ 10,000 | \$ 0 |
| \$ 363 | \$ | \$ | \$ 506 | \$ 18,328 |
| | | | | 276,182 |
| | 34,492 | | | |
| | 600 | | | |
| \$ 363 | \$ 35,092 | \$ 0 | \$ 506 | \$ 294,510 |
| \$ 112,579 | \$ 35,092 | \$ 2,647 | \$ 10,506 | \$ 294,510 |

WOLFE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Community Development Block Grant Fund |
|------------------------------------|---|
| <u>Kentucky State Treasurer</u> | |
| Jail: | |
| Allotments | \$ |
| Medical Allotments | |
| Driving Under The Influence Fees | |
| Court Costs, Jail Operation | |
| County Road Aid | |
| Truck License Distribution | |
| Strip Mine Permits | |
| Courthouse Rental - Administrative | |
| Office of the Courts | |
| Refunds: | |
| Legal Process Tax | |
| Drivers Licenses | |
| Dog Licenses | |
| Severance Taxes: | |
| Coal | |
| Mineral | |
| Grants: | |
| State Grants- Area Development | |
| Fund | |
| Totals | <u>\$ 0</u> |
| <u>Miscellaneous Revenue</u> | |
| Interest | \$ |
| CDBG Loan Repayments | |
| Circuit Court Clerk: | |
| Jail Cost | |
| Charges for Services: | |
| Garbage Collection | |
| Ambulance Service | |
| Jail Bond Fees | |
| Advertising Costs - Sheriff | |
| Miscellaneous Items | |
| Totals | <u>\$ 0</u> |
| Total Operating Revenue | <u><u>\$ 240,994</u></u> |

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

WOLFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

| | <u>Final</u> <u>Budget</u> | <u>Budgeted</u> <u>Expenditures</u> | <u>Under</u> <u>(Over)</u> <u>Budget</u> |
|-----------------------------------|-------------------------------|--|--|
| <u>GENERAL FUND</u> | | | |
| <u>General Government</u> | | | |
| Office of County Judge/Executive: | | | |
| Salaries- | | | |
| County Judge/Executive | \$ 49,790 | \$ 49,790 | \$ |
| Deputy County Judge/Executive | 6,071 | 6,071 | |
| Training-Registrations | 120 | 120 | |
| Office Materials and Supplies | 2,000 | 1,200 | 800 |
| Office of County Attorney: | | | |
| Salaries- | | | |
| County Attorney | 6,500 | 6,500 | |
| Assistant County Attorney | 7,800 | 7,800 | |
| Secretaries | 5,293 | 5,292 | 1 |
| Office of County Clerk: | | | |
| Salaries- | | | |
| County Clerk | 8,000 | 8,000 | |
| Clerk of Fiscal Court | 3,600 | 3,600 | |
| Tax Bill Preparation | 3,586 | 3,586 | |
| Office Materials and Supplies | 17,500 | 17,500 | |
| Office of Sheriff: | | | |
| Accounting - Sheriff Settlement | 900 | 900 | |
| Sheriff Deputies Salaries | 18,844 | 18,242 | 602 |
| Gasoline | 7,500 | 7,487 | 13 |
| Auto Parts and Repairs | 1,000 | 898 | 102 |
| Office of County Coroner: | | | |
| Salaries- | | | |
| County Coroner | 6,001 | 6,000 | 1 |
| Deputy Coroner | 1,500 | 1,500 | |
| Office Expense | 500 | | 500 |
| Fiscal Court: | | | |
| Magistrates Salaries | 27,000 | 27,000 | |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND (Continued)</u> | | | |
| <u>General Government (Continued)</u> | | | |
| Office of Property Valuation Administrator: | | | |
| Statutory Contribution | \$ 5,259 | \$ 5,259 | \$ |
| Office of Board of Assessment Appeals: | | | |
| Per Diem | 480 | 400 | 80 |
| Office of County Treasurer: | | | |
| County Treasurer Salary | 2,401 | 2,400 | 1 |
| Office Materials and Supplies | 2,000 | 877 | 1,123 |
| Treasurer Settlement | 1,000 | 1,000 | |
| Office of County Finance Director: | | | |
| County Finance Director Salary | 20,786 | 20,786 | |
| Surety Bond | 888 | 888 | |
| Office of Tax Administration: | | | |
| Payroll Tax Administrator Salary | 8,401 | 8,400 | 1 |
| County Law Library: | | | |
| Law Librarian Salary | 600 | 600 | |
| Elections: | | | |
| Per Diem- | | | |
| Election Commissioners | 1,200 | 960 | 240 |
| Election Officers | 2,277 | 1881 | 396 |
| Polling Places | 280 | 105 | 175 |
| Printing Forms | 5,823 | 5,823 | |
| Courthouse: | | | |
| Janitor Salary | 9,440 | 9,270 | 170 |
| Engineering Services | 75,000 | 19,415 | 55,585 |
| Maintenance Agreements | 4,000 | 3,886 | 114 |
| Maintenance and Repair | 824 | 824 | |
| Liability Insurance | 9,090 | 9,090 | |
| Cleaning Supplies | 3,900 | 3,880 | 20 |
| Telephone | 7,000 | 6,041 | 959 |
| Utilities | 27,000 | 26,786 | 214 |
| Other Materials and Supplies | 901 | 874 | 27 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND (Continued)</u> | | | |
| <u>Protection to Persons and Property</u> | | | |
| Disaster and Emergency Services: | | | |
| DES Director Salary | \$ 8,329 | \$ 7,047 | \$ 1,282 |
| DES Office Expense | 700 | 250 | 450 |
| Dispatch Service | 7,450 | 7,403 | 47 |
| Office of Public Defender: | | | |
| Contribution | 813 | 813 | |
| Animal Control: | | | |
| Animal Control Officer | 6,987 | 1,000 | 5,987 |
| Animal Shelter - Food and Supplies | 3,000 | 430 | 2,570 |
| Pest Control | 900 | | 900 |
| Solid Waste Collection Transfer Station | | | |
| Director Salary | 1,642 | | 1,642 |
| Senior Citizens Program: | | | |
| Contribution | 6,460 | 6,460 | |
| Social Services - Local Match | 1,500 | 1,500 | |
| Cemeteries and Memorials: | | | |
| Pauper Burials | 100 | 100 | |
| General Charity and Welfare: | | | |
| National Guard - Contribution | 500 | 401 | 99 |
| <u>Debt Service</u> | | | |
| Kentucky Advance Revenue Program: | | | |
| Interest | 2,719 | 2,623 | 96 |
| Other County Liabilities: | | | |
| Lease-Purchase Agreements- | | | |
| Principal | 7,500 | 7,300 | 200 |
| Interest | 6,803 | 5,928 | 875 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|-------------------------------------|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND (Continued)</u> | | | |
| <u>Capital Projects</u> | | | |
| Buildings: | | | |
| Senior Citizens Center | \$ 2,500 | \$ 2,500 | \$ |
| <u>Administration</u> | | | |
| General Services: | | | |
| Advertising | 3,000 | 1,852 | 1,148 |
| General Services - Audits | 18,490 | 15,104 | 3,386 |
| Other Materials and Supplies | 700 | 673 | 27 |
| KRADD Payments | 6,000 | 4,635 | 1,365 |
| KACO Payments | 800 | 800 | |
| Miscellaneous | | 24 | (24) |
| Contingent Appropriations: | | | |
| Reserve for Budget Transfers | 5,959 | | 5,959 |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Social Security | 28,257 | 27,772 | 485 |
| Retirement | 29,349 | 28,418 | 931 |
| Health Insurance | 14,500 | 7,939 | 6,561 |
| Worker's Compensation | 5,716 | 5,716 | |
| Unemployment Insurance | 5,674 | 5,674 | |
| Total Operating Budget | \$ 538,403 | \$ 443,293 | \$ 95,110 |
| Other Financing Uses: | | | |
| * Kentucky Advance Revenue Program- | | | |
| Principal | 199,145 | 122,665 | 76,480 |
| Total General Fund | \$ 737,548 | \$ 565,958 | \$ 171,590 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|-------------------------------------|-----------------|--------------------------|---------------------------|
| <u>ROAD AND BRIDGE FUND</u> | | | |
| <u>Roads</u> | | | |
| Office of Road Supervisor/Engineer: | | | |
| Road Supervisor Salary | \$ 2,902 | \$ 2,520 | \$ 382 |
| Road Maintenance: | | | |
| Salaries- | | | |
| Mechanic | 30,861 | 30,861 | |
| Equipment Operator | 14,225 | 14,224 | 1 |
| Heavy Equipment Operator | 14,390 | 14,390 | |
| Truck Drivers | 25,994 | 25,272 | 722 |
| Radio Operators | 29,350 | 29,337 | 13 |
| Laborers | 23,053 | 21,675 | 1,378 |
| Clerk | 19,282 | 16,640 | 2,642 |
| Overtime For Flood - 1998 | 2,366 | 2,366 | |
| Contracted Construction | 223,730 | 176,267 | 47,463 |
| Radio Repairs | 1,000 | 547 | 453 |
| Asphalt | 18,000 | 12,219 | 5,781 |
| Crushed Stone and Gravel | 117,138 | 117,059 | 79 |
| Diesel Fuel | 15,000 | 7,894 | 7,106 |
| Gasoline | 27,000 | 25,303 | 1,697 |
| General Construction Materials | 2,000 | 1,028 | 972 |
| Road Equipment | 4,917 | 4,917 | |
| Parts | 39,000 | 31,531 | 7,469 |
| Road Signs | 2,365 | 2,363 | 2 |
| Legal Right of Way | 100 | 70 | 30 |
| Pipe | 18,000 | 15,249 | 2,751 |
| Insurance | 26,000 | 26,000 | |
| Telephone | 3,450 | 2,082 | 1,368 |
| Utilities | 14,000 | 11,767 | 2,233 |
| Materials | 10,000 | 5,732 | 4,268 |
| Other Materials and Supplies | 1,002 | 30 | 972 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>ROAD AND BRIDGE FUND (Continued)</u> | | | |
| <u>Debt Service</u> | | | |
| Kentucky Advance Revenue Program: | | | |
| Interest | \$ 5,223 | \$ 5,223 | \$ |
| <u>Capital Projects</u> | | | |
| Bridges: | | | |
| Bridge Replacement | 35,674 | 34,450 | 1,224 |
| <u>Administration</u> | | | |
| General Services: | | | |
| Payment to Agencies | 6,844 | 6,341 | 503 |
| Miscellaneous Expense | | 14 | (14) |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Retirement | 15,700 | 12,769 | 2,931 |
| Social Security | 13,902 | 11,234 | 2,668 |
| Health Insurance | 10,200 | 6,519 | 3,681 |
| Worker's Compensation | 13,700 | 4,294 | 9,406 |
| Unemployment Insurance | 1,000 | 1,000 | |
| Total Operating Budget | \$ 787,368 | \$ 679,187 | \$ 108,181 |
| Other Financing Uses: | | | |
| Kentucky Advance Revenue Program- | | | |
| Principal | 244,305 | 244,305 | |
| Total Road and Bridge Fund | \$ 1,031,673 | \$ 923,492 | \$ 108,181 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | <u>Final Budget</u> | <u>Budgeted Expenditures</u> | <u>Under (Over) Budget</u> |
|--|-------------------------|----------------------------------|------------------------------------|
| <u>JAIL FUND</u> | | | |
| <u>Protection to Persons and Property</u> | | | |
| Office of Jailer: | | | |
| Personnel Services- | | | |
| Salaries- | | | |
| Jailer | \$ 30,000 | \$ 30,000 | \$ |
| Jail Personnel | 1,877 | 1,877 | |
| Operations- | | | |
| Gasoline | 5,141 | 5,141 | |
| Office Expense | 21 | 31 | (10) |
| Routine Medical | 6,857 | 6,824 | 33 |
| Vehicle Maintenance | 4,716 | 4,716 | |
| Contracts With Other Counties | 122,020 | 126,014 | (3,994) |
| Contract With Other Counties - Juveniles | 7,617 | 6,390 | 1,227 |
| <u>Administration</u> | | | |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Retirement | 2,682 | 2,595 | 87 |
| Social Security | 2,324 | 2,324 | |
| Health Insurance | 2,119 | 2,119 | |
| Total Jail Fund | <u>\$ 185,374</u> | <u>\$ 188,031</u> | <u>\$ (2,657)</u> |
| <u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u> | | | |
| Road Maintenance: | | | |
| Materials and Supplies | \$ 106,311 | \$ 104,207 | \$ 2,104 |
| <u>General Health and Sanitation</u> | | | |
| Solid Waste Collection Transfer Station: | | | |
| Attendant's Salary | 7,700 | 7,655 | 45 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|--|-----------------|--------------------------|---------------------------|
| <u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u> | | | |
| <u>Administration</u> | | | |
| General Services: | | | |
| County Contributions- | | | |
| Social Security | \$ 589 | \$ 586 | \$ 3 |
| Total Local Government Economic Assistance Fund | \$ 114,600 | \$ 112,448 | \$ 2,152 |
| <u>GARBAGE TRANSFER STATION FUND</u> | | | |
| Landfill Contract | \$ 75,502 | \$ 75,502 | \$ |
| Materials and Supplies | 92 | 92 | |
| Utilities | 1,471 | 1,309 | 162 |
| Total Garbage Transfer Station Fund | \$ 77,065 | \$ 76,903 | \$ 162 |
| <u>FIRE PROTECTION FUND</u> | | | |
| Forestry Fire Protection | | | |
| Kentucky State Treasurer | \$ 2,500 | \$ 2,094 | \$ 406 |
| <u>AREA DEVELOPMENT FUND</u> | | | |
| Capital Projects: | | | |
| Capital Outlay | \$ 25,000 | \$ 26,222 | \$ (1,222) |
| <u>SPECIAL PROJECTS FUND</u> | | | |
| Special Projects | \$ 50,000 | \$ 0 | \$ 50,000 |
| <u>ECONOMIC DEVELOPMENT ASSISTANCE FUND</u> | | | |
| Capital Projects | \$ 140,000 | \$ 0 | \$ 140,000 |

WOLFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|--|-----------------|--------------------------|---------------------------|
| COMMUNITY DEVELOPMENT BLOCK GRANT FUND | | | |
| Industrial Park: | | | |
| Capital Projects | \$ 89,000 | \$ 185,237 | \$ (96,237) |
| Borrowed Money- Interest | 11,000 | 23,082 | (12,082) |
| Total Operating Budget | \$ 100,000 | \$ 208,319 | \$ (108,319) |
| Other Financing Uses: | | | |
| Borrowed Money- Principal | 200,000 | 200,000 | |
| Total Community Development Block Grant Fund | \$ 300,000 | \$ 408,319 | \$ (108,319) |
| Total Operating Budget - All Funds | \$ 2,020,310 | \$ 1,736,497 | \$ 283,813 |
| Other Financing Uses: | | | |
| Borrowed Money- Principal | 200,000 | 200,000 | |
| * Kentucky Advance Revenue Program- Principal | 443,450 | 366,970 | 76,480 |
| TOTAL BUDGET - ALL FUNDS | \$ 2,663,760 | \$ 2,303,467 | \$ 360,293 |

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

Honorable Darrell Bumgardner, County Judge/Executive
Honorable Danny Brewer, Former County Judge/ Executive
Members of the Wolfe County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Wolfe County Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wolfe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs.

- Thee County Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,076,357 As Collateral And Entered Into A Written Agreement to Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wolfe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Darrell Bumgardner, County Judge/Executive
Honorable Danny Brewer, Former County Judge/ Executive
Members of the Wolfe County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based n An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "E. B. Hatchett, Jr.", written over a horizontal line.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
July 9, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

Honorable Darrell Bumgardner, County Judge/Executive
Honorable Danny Brewer, Former County Judge/Executive
Members of the Wolfe County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Wolfe County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. Wolfe County's major federal program is identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Wolfe County's management. Our responsibility is to express an opinion on Wolfe County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wolfe County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wolfe County's compliance with those requirements.

In our opinion, Wolfe County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Honorable Darrell Bumgardner, County Judge/Executive
Honorable Danny Brewer, Former County Judge/Executive
Members of the Wolfe County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Wolfe County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wolfe County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
July 9, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Wolfe County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Wolfe County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award programs for Wolfe County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Wolfe County reported in Part C of this Schedule.
7. The program tested as a major programs was: Industrial Park EDA (CDFA #11.303).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Wolfe County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,076,357 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the bank balances were uncollateralized by \$721,587 and as of November 11, 1997, the uncollateralized amount on deposit was \$1,076,357. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit on these dates. In addition, the county did not have a written agreement with the depository institution.

Management's Response:

They will attempt to correct both problems as soon as possible.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 1998

PRIOR YEAR FINDINGS

The County Should Have Required Depository Institutions To Pledge Additional Securities As Collateral And Entered Into A Written Agreement To Protect Deposits.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WOLFE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

| Federal Grantor Program Title <u>Grant Name (CFDA #)</u> | <u>Pass-Through Grantor's Number</u> | <u>Expenditures</u> |
|---|--|---------------------|
| <u>Cash Programs</u> | | |
| <u>U.S. Department of Housing and Urban Development</u> | | |
| Passed-Through State Department of Local Government: | | |
| Community Development Block Grants- Ascent Power Technology (CFDA #14.228) | B-94-DC-21-001(002) | \$ 17,480 |
| Senior Citizens Center (CFDA #14.228) | B-92-DC-001(052)(072) | 84,132 |
| <u>U.S. Department of Commerce</u> | | |
| Passed-Through State Department of Local Government: | | |
| Economic Development Assistance (CFDA#11.303) | | |
| Industrial Development | 04-01-04125 | 322,418 |
| <u>U.S. Federal Emergency Management Agency</u> | | |
| Passed-Through State Department of Military Affairs: | | |
| Disaster and Emergency Assistance Grants- | | |
| Coordinator Salary (CFDA #83.503) | Not Available | 3,881 |
| Snow Removal (CFDA #83.516) | Not Available | 59,155 |
| Total Cash Expenditures of Federal Awards | | <u>\$ 487,066</u> |

See Notes to the Schedule of Expenditures of Federal Awards

WOLFE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 -Basis of Presentation

This schedule is presented on a cash basis.

Note 2 -As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 -The federal expenditures for Industrial Park-EDA and Ascent Power Technology-CDBG did not consist of grants to subrecipients.

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

WOLFE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

Wolfe COUNTY FISCAL COURT

The Wolfe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

Danny R. Bremer
Name
County Judge/Executive

Deanna L. Lanning
Name
County Treasurer